

PUBLIC DISCLOSURE

October 31, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SOUTHBRIDGE SAVINGS BANK

253-257 MAIN STREET
SOUTHBRIDGE , MA 01550

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **SOUTHBRIDGE SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “ High Satisfactory.”

Southbridge Savings Bank's CRA rating is based on five lending performance criteria which are evaluated within the bank's performance context. The high satisfactory rating is based on: (1) an average net loan to deposit ratio of 84.4 percent; (2) a majority of loans granted within the bank's assessment area; (3) a reasonable lending distribution among borrowers of different income levels particularly, low and moderate-income borrowers; (4) a more than reasonable distribution of residential lending throughout the census tracts comprising the assessment area; and finally (5) regular implementation of fair lending policies and procedures. No discriminatory lending practices were noted. No CRA complaints were received by the bank.

Southbridge Savings Bank's qualified investments, community development loans and services were also reviewed and found to demonstrate a good responsiveness to the credit and community development needs of its assessment area.

PERFORMANCE CONTEXT

Description of Institution

Southbridge Savings Bank, chartered as a Massachusetts savings bank in 1848, is a mutually owned community institution. The bank's main office and commercial loan center are located in Downtown Southbridge. Southbridge Savings Bank has branch offices in Sturbridge, Charlton, and East Main Street, Southbridge and supermarket branches in Spencer, Webster and Gold Star Boulevard, Worcester. As of June 30, 2001, the bank had total assets of \$266.3 million with loans representing \$174.7 million or 65.6 percent of total assets. The following table details the composition of the institution's loan portfolio.

Loan Portfolio as of June 30, 2001		
Type of Loans	\$'s (000's)	% of Total Loans
Construction & Land Development	6,729	3.9%
Residential Real Estate		
a. 1-4 Family Mortgages	123,342	70.6%
b. Home Equity	7,568	4.3%
Lines/Loans		
Multifamily	3,881	2.2%
Commercial Loans		
a. Commercial Real Estate.	19,718	11.3%
b. Commercial Loans	3,830	2.2%
Consumer Loans		
Loans to Individuals	9,671	5.5%
Other Loans		
Total	174,739	100.0%

Source: FDIC Call Report

The bank is primarily a mortgage lender with first mortgages and equity loans representing 74.9 percent of the total loan portfolio. The institution has also diversified into commercial real estate/commercial loans and consumer loan products that represent 13.5 percent and 5.5 percent respectively of the total loan portfolio. Southbridge Savings Bank offers a diverse group of mortgage loan products including several mortgage loan programs for first time homebuyers. The bank recently began offering a 40-year term mortgage product to further assist this group of borrowers. Although Southbridge Savings Bank is an approved Federal National Mortgage Association (FNMA) seller/servicer, the bank retains all the

loans it originates for its own portfolio. The bank is also an approved Small Business Administration (SBA) lender. There are no recognized legal or financial impediments affecting the bank's ability to meet community credit needs.

Southbridge Savings Bank as a mortgage lender operates in a highly competitive environment. In Year 2000, the bank ranked eighth for mortgage loan originations within its assessment area holding a 2.2 percent market share. The top ten competitors for mortgage lending and their market share rankings are as follows: (1) Fleet National Bank, (5.6%); (2) Sovereign Bank (5.1%); (3) Advanta National Bank (4.6%); (4) Amerquest Mortgage Company (4.3%); (5) Ohio Savings Bank (2.6%); (6) Countryside Home Loans (2.5%); (7) Wells Fargo Home Mortgage (2.3%); (8) Southbridge Savings Bank (2.2%) (9) Spencer Savings Bank (2.1%) and (10) North American Mortgage Co. (1.9%). These top ten lenders combined held a 33.2% market share of all mortgage originations reported under the Home Mortgage Disclosure Act (HMDA) requirements. There were a total of 292 HMDA reporting mortgage lenders active within the assessment area in 2000.

The Federal Deposit Insurance Corporation (FDIC) conducted the most recent Community Reinvestment Act (CRA) evaluation as of May 24, 1999. This examination resulted in a "Satisfactory" rating. The Division of Banks last conducted a CRA evaluation as of December 22, 1997. This evaluation resulted in a "High Satisfactory" rating.

Description of Assessment Area

A financial institution, under the Community Reinvestment Act (CRA), defines an assessment area within which its lending efforts are focused and within which the bank's record of helping to meet the community credit needs are evaluated. Southbridge Savings Bank defines its assessment area to include eleven towns and the northeastern segment of the City of Worcester situated within the Worcester, MA-CT MSA. In addition, the assessment area includes three rural towns, which are not within the Worcester, MA-CT MSA and are considered "Non-MSA" communities. The geographies within the City of Worcester surround the bank's supermarket branch location and are not contiguous to the other communities. Southbridge Savings Bank's assessment area is substantially within the Worcester MSA, contains only whole geographies and consequently, conforms to the CRA regulation's guidelines.

The communities comprising the assessment area include: the "Tri-communities" of Southbridge, Sturbridge and Charlton; "the Brookfields" including Brookfield itself, North, East and West Brookfield; Spencer, Brimfield, Wales and Holland; and Dudley, Webster and Oxford. Lastly, the assessment area includes the Connecticut towns of Thompson and Woodstock. Woodstock, Brimfield and Holland are Non-MSA communities. The Worcester, MA-CT MSA area median Family Household Income (FHI) is \$54,400 and \$57,000 for 2000 and 2001, respectively. The Massachusetts' Non-metropolitan Areas median FHI is \$48,000 and \$50,500 for 2000 and 2001, respectively.

Demographic and Economic Data

The assessment area contains 29 census tracts in Worcester County, Massachusetts and 3 census tracts in Windham County, Connecticut. Based on 1990 area median FHI within the tract, census tracts are defined as; low-income (less than 50% of area median income), moderate-income (50 - 79% of area median FHI), middle income (80 – 119% of area median FHI) or upper-income (120% or more of area median FHI).

The following table provides the distribution of households and housing units by census tract income level; however, the table includes only the Massachusetts' census tracts.

Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Distribution by Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental–Occupied Units	Vacant Units	
Moderate	24.1	18.5	18.5	11.8	30.5	18.8	\$109,641
Middle	69.0	74.1	74.5	79.3	65.1	77.2	\$129,190
Upper	6.9	7.4	7.0	8.9	4.4	4.0	173,172
Total or Median	100	100.0	100.0	58.5	33.0	8.5	\$128,637

Source: 1990 U.S. Census data

There are 7 moderate-income census tracts, which are situated in Southbridge (3 tracts), Webster (2 tracts), Dudley (1 tract) and Brookfield (1 tract). The majority of the assessment area's census tracts (20 tracts or 69.0%) are designated as middle income. There are 2 upper income census tracts. There are no low-income census tracts within the assessment area.

The majority of the households in the assessment area (74.1%) are located within the middle-income geographies. Within these middle-income tracts, low-income and moderate-income households comprised 22.9 percent and 15.8 percent, respectively of all households. Of the total households in the middle-income census tracts, 6.8 percent are below the poverty level. Within the moderate-income tracts in the assessment area, low-income and moderate-income households comprised 34.9 percent and 21.4 percent, respectively of all households. There were 13.1 percent of households residing below the poverty level within the moderate-income geographies.

Housing stock within the assessment area consists primarily of 1-4 family residential dwellings (83.1% of all housing units). The majority of these dwellings (58.5%) are owner-occupied. The median home value of the assessment area was \$128,637 based on 1990 U.S. Census data.

The Warren Information Services compiles current home sale prices based on Registry of Deeds transactions. The following table provides median home prices in the communities where the bank has offices.

	September 2000*	September 2001*
Charlton	\$159,900	\$182,500
Spencer	\$129,900	\$148,000
Southbridge	N/A	\$122,450
Sturbridge	\$147,500	\$171,000
Webster	\$116,900	\$145,125
Worcester	\$120,000	\$140,250

Source: Warren Information Services (Banker & Tradesman)

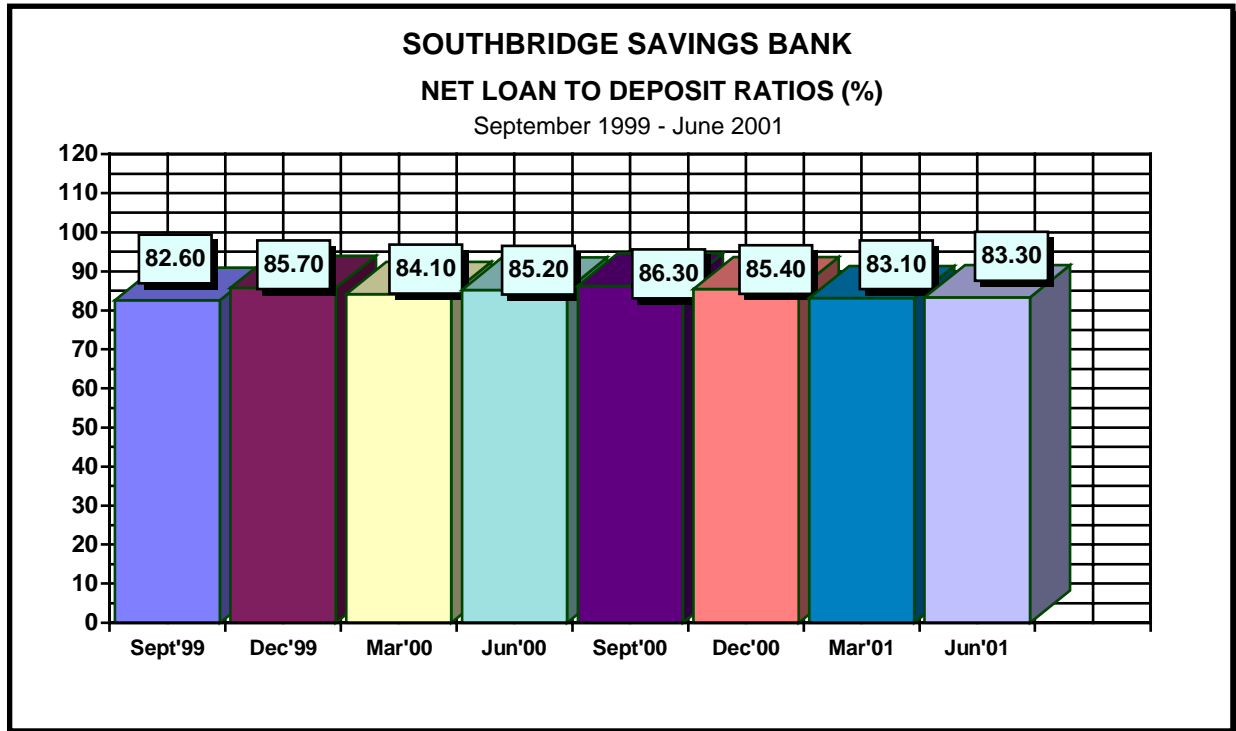
Overall, year to date September 2001 home prices increased significantly over the year to date September 2000 levels. Southbridge had no single home sales for year-to-date September 2000; therefore no median home price was available. Southbridge's median home price of \$122,450 as of September 2001 was lowest among the communities shown, while Charlton's median home price of \$182,500 was the highest.

The towns of Thompson and Woodstock, Connecticut contain three middle income census tracts. Housing stock within these tracts consists primarily of 1-4 family residential dwellings (96.3% of all housing units). The majority of these dwellings (73.1%) are owner-occupied.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This criterion evaluates the level and trend of the bank's net loan to deposit ratio. Southbridge Savings Bank's average net loan to deposit ratio was 84.4 percent for the 8 quarters reviewed. The bank's performance for this criterion is considered good given community credit needs and the institution's lending capacity. The graph below depicts the institution's loan to deposit ratio level and trends based on data reported on the FDIC Call Reports.



The ratio of net loans to deposit demonstrates an increasing trend from September 1999 through September 2000 with a slightly declining trend in 2001. Net loan growth (for the 8 quarters reviewed) was 15.2 percent, while deposit growth for the same period was 14.3 percent. Loan growth in the last four quarters was 6.4 percent while deposit growth was 10.3 percent, explaining the ratio's slight decline in 2001. Overall, the trend is positive and indicates Southbridge Savings Bank's continued efforts to extend credit to its community.

In addition, Southbridge Savings Bank's net loan to deposit ratio was compared to seven other institutions with offices within the assessment area. The following table provides the loan-to-deposit ratio for the other institutions and this bank.

INSTITUTION	NET LOAN TO DEPOSIT RATIO*
Country Bank for Savings	96.6%
Webster Five Cents Savings Bank	74.8%
Webster First Federal Credit Union	83.2%
Savers Co-operative Bank	90.3%
Southbridge Savings Bank	83.3%
Spencer Savings Bank	84.8%
Southbridge Credit Union	63.5%
Hometown Bank	78.4%

*Source: FDIC and NCUA Call Report data 6/30/01.

The above community financial institutions are listed by asset size. Country Bank for Savings (the largest) had \$756.2 million in total assets and Hometown Bank (the smallest) held \$80.9 million in total assets.

In conclusion, the bank's average net loan to deposit ratio of 84.4 percent is good and meets the standards for a satisfactory rating given the bank's capacity to lend, its growth in lending activity and the credit needs of the assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The second performance criterion is based on the bank's record of lending within its assessment area. Southbridge Savings Bank's mortgage lending activity within its assessment area represents a majority and consequently, meets the standards for satisfactory performance. The bank's HMDA (Home Mortgage Disclosure Act) reportable loan data for 2000 and year to date September 2001 was analyzed to determine the institution's performance for this criterion and the two subsequent lending criteria. HMDA reportable loans include all home purchase mortgages, refinances of home purchases, home improvement loans and mortgages secured by multifamily dwellings made for purchase, refinance or improvements.

The bank granted 568 mortgage loans totaling \$66.1 million for the period reviewed. Lending activity inside the assessment area represented 76.9 percent (by number) and 70.5 percent (by dollar) of the total mortgage loans granted. The table below details the bank's lending inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	125	77.6	9,387	68.1	36	22.4	4,401	31.9
2001	312	76.7	37,265	71.2	95	23.3	15,094	28.8
Total	437	76.9	46,652	70.5	131	23.1	19,495	29.5

Source: HMDA LAR, CRA Wiz

Southbridge Savings Bank's lending inside its assessment area follows a consistent level for the two years shown. Overall, the results demonstrate that a majority of the residential loans granted are situated inside the assessment area. Mortgage loans granted within Southbridge represented 26.1 percent (by number) and 19.6 percent (by dollars) of the total loans granted inside the assessment area. Furthermore, mortgage loans granted in Charlton and Sturbridge represented 16.5 percent and 15.8 percent, respectively (by

number) and 18.6 percent and 19.6 percent, respectively (by dollars) of loans granted within the bank's assessment area.

In conclusion, the majority of Southbridge Savings Bank's residential lending activity occurred inside its assessment area and consequently, meets the standard for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The third performance criterion evaluates the extent to which the institution lends to borrowers of different income levels inside the assessment area. The bank's performance under this criterion is considered to be reasonable and to meet the standards for satisfactory performance. Borrower incomes are compared to the MSA's median Family Household Income (FHI) to determine the individual borrower's income level. Borrower's income levels are identified as low-income (less than 50% of area median FHI), moderate-income (50-79% of area median FHI), middle income (80 –119% of area median FHI) or upper-income (120% or more of area median FHI).

The Worcester, MA-CT MSA area median Family Household Income (FHI) was \$54,400 and \$57,000 for 2000 and 2001, respectively. In the year 2000, a low-income family earned \$26,700 or less, while a moderate-income family household earned no more than \$43,000, annually. Middle-income families had incomes ranging just above \$43,000 to no greater than \$64,736, while upper-income family households earned greater than \$65,000, annually.

The table below details the bank's mortgage lending activity by borrower income level and compares the bank's performance to both the HMDA aggregate lenders' data and to the distribution of family households.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	Family Households (% of #)	2000 Aggregate Lending Data	2000		2001		Total	
		% of #'s	#	%	#	%	#	%
Low	19.1	4.2	8	6.4	8	2.6	16	3.6
Moderate	18.8	18.1	13	10.4	48	12.5	61	14.0
Middle	26.9	27.5	38	30.4	82	28.1	120	27.5
Upper	35.2	30.8	65	52.0	157	54.3	222	50.8
NA	0.0	19.4	1	0.8	17	1.5	18	4.1
Total	100.0	100.0	125	100.0	312	100.0	437	100.0

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

The aggregate lenders' distribution parallels the demographic distribution of family households within the assessment area with the exception of lending to low-income borrowers where there is the greatest variance. Based on 1990 U.S. Census data, 28.0 percent of the low-income family households within the bank's assessment area reside below the poverty level. This explains in part the lower level of loans granted to this income group.

The bank's 2000 lending distribution to low-income borrowers is well above the aggregate lenders' distribution. In contrast, the bank's loan distribution to moderate-income borrowers is well below the aggregate lenders' while lending to middle-income borrowers is closer to the aggregate lenders' data. Southbridge Savings Bank's lending to upper-income borrowers exceeds the aggregate lenders' distribution; however, the bank's lending to borrowers whose income was NA (not available) is below the aggregate lenders' level, explaining in part its greater distribution to upper-income borrowers.

In regards to the dollar volume of loans, the variance between the bank's Year 2000 lending distribution and the distribution of the aggregate lenders largely follows the same pattern as the number of loans and consequently is not detailed in this discussion.

The bank's distribution of lending by borrower income level for the year-to-date September 2001 corresponds reasonably to the distribution of the assessment area's family households, particularly for moderate-income and middle-income borrowers. The bank's distribution of lending to low-income borrowers declined in 2001, yet remained reasonable given the rising home prices within the assessment area and the level of poverty among this income group.

In conclusion, the bank's borrower income distribution, taken as a whole compares favorably to both the assessment area's family household demographics and to the aggregate HMDA lenders' performance. The institution's residential lending demonstrates a continued reasonable pattern of distribution of loans to low-income and

moderate-income borrowers. Southbridge Savings Bank therefore meets the standards for satisfactory performance for this lending criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion evaluates the institution's record of addressing the credit needs of the assessment area based on the geographic distribution of loans. The bank's performance for this criterion is more than reasonable and consequently, exceeds the standards for satisfactory performance. Census tracts/geographies are defined as either low, moderate, middle, or upper-income. The same comparative income levels that applied to borrowers' incomes are also applied to census tracts/geographies. However, census tract income levels are based on 1990 U.S. census data.

The following table provides information regarding the bank's distribution of loans among census tracts of different income levels. In addition, the table compares the bank's distribution to that of all other HMDA reporting lenders and to the distribution of owner occupied units within the assessment area.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	Owner-Occupied Housing Units (%)	2000 Aggregate Lenders' Data	2000		2001		Total	
		% of #	#	%	#	%	#	%
Moderate	11.8	10.4	21	16.8	52	16.6	73	16.7
Middle	79.3	81.8	103	82.4	256	82.1	359	82.2
Upper	8.9	7.8	1	0.8	4	1.3	5	1.1
Total	100.0	100.0	125	100.0	312	100.0	437	100.0

Source: 1990 U.S. Census, HMDA LAR, HMDA Aggregate Data

The aggregate HMDA lenders' data indicates the level of lending opportunities that exist within the respective census tracts. The bank's lending within moderate-income census tracts is well above the aggregate lenders' distribution of loans within these tracts. Further, the bank's lending within the moderate-income tracts is above the level of owner occupied dwellings situated within these seven moderate-income geographies. Southbridge Savings Bank's lending within the middle income tracts also compares favorably to both the aggregate lenders' performance and the housing demographics within these tracts. Lastly, the institution's lending within the two upper income tracts was well below the comparative lenders' distribution and the housing unit levels.

Overall, the bank's geographic distribution of its residential loans demonstrates an excellent market penetration within the census tracts comprising the assessment area, particularly the moderate-income tracts. Consequently, Southbridge Savings Bank's performance exceeds the standards for satisfactory performance under this criterion.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Southbridge Savings Bank received no CRA related complaints in the period under review. The bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2-3-101.

The bank's fair lending policies and procedures and its loan policy address specific areas such as; loan review, staff training, the loan application and evaluation process, as well as applicable rules and regulations regarding the Fair Housing Act and the Equal Credit Opportunity Act (ECOA). Southbridge Savings has established a CRA/Fair Lending Committee to review its programs, products and services relative to the community needs on an on-going basis.

Employees are provided with training appropriate to their job responsibilities relating to fair lending practices and issues. All employees are required to view an educational video on ethnic and cultural diversity. Southbridge Savings Bank markets its services and products to the community through a variety of media including newspaper, television, radio and the bank's Web site. The bank has established a formal second review program that requires all residential real estate applications slated for denial to be reviewed by both the Vice President of Lending and the Loan Committee. The purpose of the second review is to ensure that all reasons for loan denials are sound and non-discriminatory. Lastly, the bank's outside auditing firm conducts a regular HMDA (Home Mortgage Disclosure Act) review for accurate reporting.

Minority Application Flow

The number of applications received from minority applicants was reviewed. For Year 2000 and Year to Date 2001 combined, the bank received a total of 39 mortgage applications from various minority groups, representing 7.0 percent of all residential loan applications received from within the bank's assessment area. The HMDA aggregate lenders in 2000 attracted 364 minority applicants, representing 4.4 percent of all the residential applications received. In comparison, Southbridge Savings Bank's minority applicants in 2000 represented 8.6 percent of all applicants. The following table provides further details.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE DATA 2000		BANK 2000		BANK 2001		BANK TOTAL	
	#	%	#	%	#	%	#	%
Native American	19	0.2	0	0.0	1	0.3	1	0.2
Asian	47	0.6	6	3.2	1	0.3	7	1.2
Black	105	1.3	0	0.0	2	0.5	2	0.4
Hispanic	151	1.8	6	3.2	18	4.8	24	4.3
Other	42	0.5	4	2.2	1	0.3	5	0.9
Total Minority	364	4.4	16	8.6	23	6.2	39	7.0
White	4,688	56.7	166	89.8	337	90.9	503	90.5
NA	3,221	38.9	3	1.6	11	2.9	14	2.5
Total	8,273	100.0	185	100.0	371	100.0	556	100.0

Source: HMDA-LAR, CRA Wiz.

The institution's minority application flow was also compared to the assessment area's racial composition. According to the 1990 U.S. Census, the assessment area population was 154,705 residents of which 6,857 individuals or 4.4 percent were members of a racial minority. Given the racial composition of the assessment area and HMDA aggregate application data, the bank's level of attracting minority applicants is considered to be more than reasonable.

Conclusion/Fair Lending

Southbridge Savings Bank's record of implementing and developing fair lending policies and practices is rated "satisfactory". This rating is based on regular training programs for all staff levels, credit products designed to meet the assessment area credit needs, regular efforts to market the institution's credit services to all segments of the assessment area, and efforts to review all denied mortgage loan applications to ensure fairness in the underwriting and loan application process.

QUALIFIED INVESTMENTS AND COMMUNITY DEVELOPMENT LOANS AND SERVICES

In assessing whether a small institution may warrant an overall rating of "high satisfactory" or "outstanding" for its CRA performance, the Division considers the degree to which the institution meets the criteria for such a rating according to the existing evaluation of performance criteria. In addition, the institution's performance in making community development loans or qualified investments and its performance in providing branches and other services and delivery systems that enhance credit availability in its assessment area are reviewed. At management's request, Southbridge Savings Bank's investments and services were reviewed.

For an investment, community development loan or service to be considered “qualified” it must have as its primary purpose community development as it is defined in the Division’s regulation 209 CMR 46.12. Community development is defined as affordable housing for low and moderate-income individuals, community service targeted to low and moderate income individuals, activities that promote economic development by financing small businesses and farms and activities which stabilize/revitalize low and moderate income geographies. In addition, community development services must relate to the provision of financial services.

The bank’s qualified investments, community development loans and services support a “High Satisfactory” rating and demonstrate a good responsiveness to community credit needs. The bank’s community development and retail services help to expand credit availability within the assessment area.

Qualified Investments and Community Development Loans

Charitable Grants or Donations are considered “qualified Investments” if they have as their primary purpose community development as defined above. Southbridge Savings Bank has made contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. In some instances, these contributions were substantial, multi-year, commitments. In 2000, the bank granted a total of \$49,347 in charitable contributions. A total of \$33,267 or 67.4 percent were considered as qualified investments under CRA. In 2001, a total of \$53,219 in charitable contributions was granted with a total of \$15,398 or 28.9 percent considered qualified.

The following includes some of the organizations that Southbridge Savings Bank contributed to that were considered to be qualified investments.

The Jacob Edwards Library – In 2000, the bank made the final payment of a substantial three-year pledge to the library for its renovation and expansion project. The library is located in a moderate-income census tract in downtown Southbridge.

Tri-Community YMCA – In 2000 and 2001, the bank made the first two payments of a substantial three-year pledge to the Tri-Community YMCA for its renovation and expansion project. The YMCA is also located in a moderate-income census tract in downtown Southbridge.

Southbridge Savings Bank has also made donations to organizations that provide social services, emergency assistance, provide food and shelter, and assist families in need such as: the United Way; Worcester County Food Bank; the Food Share Pantry; the Central Massachusetts Shelter for Homeless Vets; and Massachusetts Bankers Association Charitable Foundation, Inc. It has further assisted organizations that promote community development and small business development such as the Martin Luther King, Jr., Business Empowerment Center; and the Tri-Community Area Chamber of Commerce. Finally, organizations that assist the elderly and /or disabled such as the Southern

Worcester County ARC Inc., and its Center of Hope; and Rehabilitative Resources, Inc. have also been the beneficiaries of grants from the bank.

Community Development Loans

During the period reviewed, Southbridge Savings Bank granted one commercial loan to a non profit corporation for \$42,000 and six multi-family loans totaling \$1,043,000, which qualify as community development loans. The bank also granted a seven-year small business start-up loan to a non-profit organization. The non-profit operates a gourmet coffee shop with profits going to children's charities worldwide.

The following table details the six multi-family loans the bank granted that financed affordable housing for low and moderate-income people. As indicated, five of the six properties are within moderate-income census tracts.

Multi-family Loans				
Origination Date	Amount (\$)	Number of Units	Range of Rents (\$)	Census Tracts
01-07-00	100,000	5	450-500	7573 – Moderate
01-04-01	71,000	6	300-350	7571 – Moderate
02-06-01	400,000	16	500	7571-Moderate
03-08-01	289,000	22	450 – 525	9011 – Middle
04-03-01	84,000	5	400 – 525	7572 – Moderate
07-19-01	99,000	6	400 – 425	7375 – Moderate
Totals	1,043,000	60	--	--

The one loan not located in a moderate-income census tract is on three properties in Connecticut all within a middle-income census tract. These twenty-two units are considered affordable housing for low and moderate-income individuals using FNMA's standard housing expense ratio of 28 percent and the HUD estimated Connecticut State Median Family Income for 2001 of \$58,300. Using these guidelines, a low-income individual could afford rents of up to \$680 per month. For moderate-income individuals the rents would be up to \$1,075 per month. As indicated, the maximum rent on these twenty-two units is \$525.

Community Development Services

Many of Southbridge Savings Bank's Trustees' and Officers are involved in providing expertise to a variety of area organizations. Refer to the following.

Tri-Community YMCA - Three of Southbridge Savings Bank's Trustees serve on the Board of Directors of this YMCA. In addition, a bank Trustee serves on this organization's Capital Facilities End Fund Committee, another Trustee serves on the YMCA's Sustaining Membership Committee, while another Trustee serves on the Fund Drive Committee, and

another Trustee was a former President of this organization. Southbridge Savings Bank's President and Chief Executive Officer is on the YMCA's 2001 Capital Building Fund Drive Committee.

Harrington Memorial Hospital – The hospital is located in a moderate-income census tract near the downtown section of Southbridge. Five Southbridge Savings Bank Trustees are Trustees of the hospital, and one bank Trustee serves on the hospital's Board of Directors. Southbridge Savings Bank's President also serves as a Trustee and on the Board of Directors, and a bank Vice President serves as a Trustee of Harrington Memorial.

Tri-Community United Way – Three of Southbridge Savings Bank's Trustees are on the Board of Directors and one Trustee was a past President of this United Way chapter. The bank's President and Chief Executive Officer is on the Board of Directors and was past President of this organization.

George Wells Foundation – This foundation assists in granting approximately \$125,000 each year to local community agencies. A Southbridge Savings Bank Trustee serves on this foundation.

Tri-Community Chamber of Commerce – A Southbridge Savings Bank Trustee is on the Board of Directors of this organization. In addition, the bank's Chief Financial Officer is on the Chamber's Board of Directors.

Sturbridge Housing Partnership Committee – A bank Vice President serves on this committee.

Seniors and Law Enforcement Together (SALT) – This organization educates senior citizens on issues that can have an adverse impact on their financial and/or personal well being. The majority of individuals that benefit from this organization reside in elderly housing and are low-income. A Southbridge Savings Bank Vice President is the Treasurer and a Branch Manager is a member of SALT.

Sturbridge Community Preservation Committee – The Town of Sturbridge adopted the Community Preservation Act whereby three percent of additional property tax monies is collected and ultimately used for preserving green space, for historical usage, and for affordable housing. The bank's Executive Vice President and Treasurer serves on this committee.

Southbridge Downtown Partnership – Southbridge Savings Bank's President and Chief Executive Officer, its Executive Vice President and Treasurer, and a Vice President all serve on the Board of Directors of the partnership. These individuals are the only representatives from the financial service industry that serve on the board of this organization.

Rehabilitative Resources Inc., (RRI) – RRI is an organization that services individuals with severe disabilities, a majority of whom have incomes that fall between 100 percent

and 150 percent of the poverty level in Massachusetts. Southbridge Savings Bank's Executive Vice President and Treasurer is a member of the Board of Directors of RRI and a bank Vice President serves on RRI's Capital Fund Committee.

Tri-Valley Elder Services, Inc. – A bank Vice President serves on the Tri-Valley Elders Money Management Committee. As such, this individual volunteers financial assistance to elderly residents in the area. In addition, six Southbridge Savings Bank employees volunteer their time delivering meals for the Tri-Valley Elder Services "Meals on Wheels" program. Tri-Valley Elder Services serves elderly individuals and couples whose incomes fall within the low and moderate-income range.

Massachusetts Bankers Association (MBA) – Southbridge Savings Bank's Vice President serves on MBA's Financial Exploitation of the Elderly Committee.

Business Inclusion Minority Council – This organization helps minority individuals start businesses within the Worcester area. The bank's Commercial Services Officer is a member of this organization.

Central Massachusetts Small Business Loan Review Board – The bank's Commercial Services Officer serves on this board.

Credit Education and other Services

In 2000, Southbridge Savings Bank's Vice President and Worcester Branch Manager participated in financial literacy programs at Plumley Village in Worcester. Plumley Village is a low-income apartment complex in the City of Worcester. These programs were formulated in conjunction with other financial institutions local to the Worcester market and the Community Affairs Specialist from the FDIC.

In April 2000, Southbridge Savings Bank sponsored and participated in a First Time Homebuyer Seminar co-sponsored by Hampden Hampshire Housing Partnership and certified by the Massachusetts Housing Finance Agency. The seminar was held at the Comfort Inn in Sturbridge.

In 2000, the bank purchased and distributed brochures developed by Massachusetts Bankers Association on Identity Fraud and predatory lending. These brochures are available at all bank offices and the bank also distributed them to local town halls, senior centers, and libraries.

On a regular basis, Southbridge Savings Bank permits the use of its Community Room at its new Sturbridge branch office by area non-profit community groups at no cost. Some of the organizations that have used this room during the period reviewed include the Massachusetts Bankers Association; the American Institute of Banking; Business Networking; and Women in Business.

Retail Services

Since the previous FDIC examination, the bank's branch network has changed. On June 16, 2000, Southbridge Savings Bank closed its 331 Main Street Sturbridge branch office due to lack of space. On June 19, 2000, the bank opened a new, larger facility at 200 Charlton Road (Route 20) in Sturbridge. Both the closed facility and the opened facility are located in middle-income census tracts. On October 25, 2001, the bank opened a new branch office in the Town of Warren. That office is also located in a middle-income census tract. The main office and branch office in Southbridge as well as the branch in Charlton and the supermarket branches in Spencer, Worcester, and Webster remained unchanged.

The bank's hours of operation are considered convenient and comparable to, if not more convenient than, other local institutions. All offices provide extended hours on Thursday evening and on Saturday morning. The supermarket branches offer extended hours daily and are open on Saturday and Sunday. The four traditional branches offer drive-up facilities that are open one and one-half hours earlier than the branch lobbies. All traditional branch offices provide 24-hour ATM service, while the supermarket branches are open during supermarket business hours. The bank continues to maintain a freestanding ATM at the Big Bunny Market in Southbridge. Southbridge Savings Bank is a member of the SUM ATM network of financial institutions, which provides surcharge free ATM access to customers of other SUM member institutions.

Southbridge Savings Bank continues to offer checking and savings products that meet MCBC's Basic Banking Program guidelines. The checking account product has a \$25 minimum balance requirement with no monthly fees, and the savings accounts (passbook and statement) have a one cent minimum balance requirement with no monthly fees.

The bank's official checks are available at no cost as long as the monies for the checks are withdrawn from a Southbridge Savings Bank account. Money Order service is also available at a nominal fee of \$0.75.

In the spring of 2000, Southbridge Savings Bank began offering "Bank 'N Pay", a 24-hour, toll free telephone service. This service allows customers to check account balances, transfer between accounts, check for current availability on credit lines, verify the last 5 transactions, and confirm interest rates. In addition, "Bank 'N Pay" allows customers to automatically pay bills either by the single, variable payment option, or regularly scheduled monthly payments over the phone. This service is also available over the Internet via the bank's web site at www.southbridgesavingsbank.com. The bill-paying feature is free for the first six months, and then a \$4.95 per month fee is imposed.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

SOUTHBRIDGE SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 31, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.